

Message Text

SECRET

PAGE 01 SINGAP 01312 211114Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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O 210948Z MAR 78
FM AMEMBASSY SINGAPORE
TO SECSTATE WASHDC IMMEDIATE 9905

S E C R E T SINGAPORE 1312

EXDIS

TREASURY FOR SECRETARY BLUMENTHAL

DEPT FOR UNDER SECRETARY COOPER

E.O. 11652: GDS
TAGS: EFIN, SN
SUBJECT: SINGAPORE REQUEST FOR RE-INCLUSION IN LIST OF COUNTRIES
ELIGIBLE TO RECEIVE DIRECT TRANSFERS OF GOLD PROFITS FROM
IMF GOLD SALES

1. SUMMARY: PRIME MINISTER LEE KUAN YEW CALLED ME TO HIS OFFICE THIS AFTERNOON TO INFORM ME THAT SINGAPORE HAD COMPLETED STUDY OF ITS PER CAPITA GNP FOR 1973 AND 1974 WHICH REVEALED THAT WHEN COMPONENT CONSISTING OF COMPENSATION PAY TO RESIDENT FOREIGNERS PLUS PORTION OF OPERATING SURPLUS AND DEPRECIATION ATTRIBUTED TO FOREIGN -OWNED ENTERPRISES WAS DEDUCTED, BALANCE REDUCED SINGAPORE'S GNP WELL BELOW SDR CRITERION FOR EXCLUDING SINGAPORE FROM LIST OF COUNTRIES ELIGIBLE TO RECEIVE DIRECT TRANSFERS OF PROFITS FROM IMF GOLD SALES. PM LEE SAID THAT IMF REPRESENTATIVE TUN THIN HAD VISITED SINGAPORE, AND HAD PREPARED RECOMMENDATION FOR CONSIDERATION AT IMF MEETING MARCH 24 THAT SINGAPORE BE RE-INCLUDED ON THIS LIST. PM LEE ASKED THAT A PERSONAL MESSAGE BE TRANSMITTED TO SECRETARY BLUMENTHAL FOR HIS CONSIDERATION PRIOR TO MARCH 24 MEETING, AND ASKING FOR SECRETARY BLUMENTHAL'S SUPPORT. LEE STRESSED THAT WHAT IS CRUCIAL IS SINGAPORE'S

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DEVELOPING COUNTRY STATUS. END SUMMARY.

2. MESSAGE FOLLOWS:

THE HON MICHAEL BLUMENTHAL

WHEN WE MET LAST OCTOBER, YOU WILL RECALL THAT I EX-

PRESSED MY CONCERN OVER THE IMF CLASSIFICATION OF SINGAPORE AS A DEVELOPED COUNTRY. I TOLD YOU THAT WE WERE ARGUING OUR CASE FURTHER WITH THE IMF AND THAT WE WOULD ASK FOR OUR GNP TO BE RE-EXAMINED AND THE "BAHAMAS FORMULA" APPLIED TO SINGAPORE.

3. "THE IMF HAVE REVIEWED OUR PER CAPITAL GNP APPLYING THE "BAHAMAS FORMULA", IE, EXCLUDING FROM OUR GNP THE CONTRIBUTION MADE BY EXPATRIATES, RESIDENT AMERICANS, JAPANESE AND WEST EUROPEANS, TO SINGAPORE'S GNP. THEIR INVESTIGATIONS INTO ALL OUR RELEVANT FIGURES HAVE LED THEM TO THE CLEAR CONCLUSION THAT SINGAPORE WAS WRONGLY REMOVED FROM THE LIST OF DEVELOPING COUNTRIES ELIGIBLE TO SHARE IN THE PROFITS ARISING FROM IMF GOLD SALES. OUR REVISED PER CAPITA GNP IS SDR 1288 FOR 1973 AND SDR 1402 FOR 1974, WELL BELOW THE IMF CRITERIA OF SDR 1400 AND SDR 1600 FOR 1973 AND 1974 RESPECTIVELY.

4. "YOU TOLD ME IN WASHINGTON ON 6 OCTOBER 1977 WE WOULD HAVE YOUR EXECUTIVE DIRECTOR'S BACKING IF SINGAPORE'S REAL GNP MINUS THE CONTRIBUTION BY AMERICAN, JAPANESE AND EUROPEAN NATIONALS WERE EXCLUDED. THE IMF HAS CIRCULATED A STAFF PAPER "SINGAPORE: DIRECT TRANSFER OF GOLD PROFITS FOR THE TRUST FUND" FOR CONSIDERATION BY THE EXECUTIVE BOARD, RECOMMENDING TO THE EXECUTIVE BOARD THAT SINGAPORE BE RE-INCLUDED IN THE TABLE OF DEVELOPING COUNTRIES.

5. "CAN I ASK FOR YOUR SUPPORT TO BACK THIS RECOMMENDATION
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TO INCLUDE SINGAPORE IN THE LIST OF COUNTRIES ELIGIBLE TO RECEIVE DIRECT TRANSFERS OF GOLD PROFITS FROM THE SALE OF GOLD? AS I EXPLAINED LAST OCTOBER, WHAT IS CRUCIAL IS OUR DEVELOPING COUNTRY STATUS." MESSAGE ENDS.

6. PM LEE ALSO ASKED THAT AN ADDITIONAL MESSAGE FROM HIM TO SECRETARY BLUMENTHAL WHICH HE DELIVERED VERBALLY, BE PASSED ALONG. GIST IS AS INDICATED BELOW.

7. SINGAPORE BELIEVES FACT THAT 14,000 EXPATRIATES CONTRIBUTE SO SIGNIFICANTLY TO ITS ECONOMY IS NOT SOMETHING TO BE ASHAMED OF, AS LEADERS IN SOME ADJACENT COUNTRIES SUCH AS MALAYSIA AND INDONESIA (AND INDEED TUN THIN HIMSELF) APPEAR TO THINK, BUT SHOULD BE REGARDED AS STRONG ENDORSEMENT OF CRUCIAL ROLE WHICH INVESTMENT AND MANAGERIAL EXPERTISE CAN PLAY IN THE ECONOMIC GROWTH OF DEVELOPING COUNTRIES. IF SINGAPORE WERE ASKED TO REMOVE THESE EXPATRIATES, FACTORIES AND ENTERPRISES WITH WHICH THEY ARE ASSOCIATED WOULD PROBABLY BE COMPELLED TO CLOSE DOWN, THUS THROWING AS MANY AS 200,000 SINGAPOREANS OUT OF WORK.

8. AS THINGS NOW STAND, SINGAPORE HAS BEEN ABLE TO DEVELOP RAPIDLY TO POINT WHERE IT HAS SECOND HIGHEST STANDARD OF LIVING IN

EAST ASIA, SECOND ONLY TO JAPAN'S. IN CONTRAST, SINGAPORE'S NEAREST NEIGHBORS, INDONESIA AND MALAAYSIA, ARE BOTH HAVING DIFFICULTIES IN DEVELOPING THEIR ECONOMIES DUE IN LARGE PART TO SEVERE LIMITATIONS ON WORK PERMITS GRANTED TO EXPATRIATES AND CONCURRENT EFFORTS TO PLACE LOCAL NATIONALS IN MANAGERIAL POSITIONS BEFORE THEY HAVE ACQUIRED SUFFICIENT EXPERIENCE AND EXPERTISE. A RELATED FACTOR IS DECLINE IN FOREIGN INVESTMENT. IN 10 OR SO YEARS, WHEN SINGAPORE HAS BECOME SIX FEET TALL INSTEAD OF FIVE FEET SIX, MOST EXPATRIATES NOW IN SINGAPORE WILL HAVE BEEN REPLACED BY SINGAPOREANS; HOWEVER, NEW INDUSTRIES WILL BE COMING IN REQUIRING FOREIGN MANAGEMENT AND TECHNOLOGY. IN THIS WAY, SINGAPORE WILL CONTINUE TO DEVELOP. SINGAPORE'S PATTERN MIGHT WELL BE USED AS A MODEL FOR ACHIEVING RAPID PROGRESS IN OTHER DEVELOPING COUNTRIES. PM LEE HOPES THAT THE IMF
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MIGHT MAKE THIS POINT TO LEADERS SUCH AS SUHARTO AND PLANNERS SUCH AS WIDJOJO.
HOLDRIDGE

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NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
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Draft Date: 21 mar 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Disposition History: n/a
Disposition Reason:
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From: SINGAPORE
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